Annual Financial Statements

for

Aganang Local Municipality

for the Financial Period ended 30 June: ***2015***

Province: Limpopo

AFS rounding: ***R (i.e. only cents)***

Contact Information:	
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Name of relevant Auditor:	Mr. Thys De Beers
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Aganang Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

General information

Members of the Council

MM Mokobodi	**Mayor**
LN Ntsewa	Member
ML Mothata	Member of the Executive Committee
PS Phaka	Member of the Executive Committee
RA Moloto	Member of the Executive Committee(Resigned in May 2015)
MM Dikgale	**Speaker**
KA Mahoai	Member of the Executive Committee
TE Lekoloane	Member of the Executive Committee
MW Kganyago	Member of the Executive Committee
MB Malebana	Member
ML Lepadima	Member
MM Matsemela	Member
KP Senoamadi	Member
MS Papola	Member
LJ Mogaila	Member
MM Mashamaite	Member
MA Lediga	Member
MD Teffo	**Chief Whip**
LJ Mogotlane	Member
MG Poopedi	Member
KE Kgatla	Member
KJ Kganyago	Member
ME Manamela	Member
KJ Phukubje	Member
SS Cholo	Member
D Sebelebele	Member
ND Madikoto	Member
P Makweya	Member
CJ Mothotsi	**MPAC Chairperson**
RC Mashitisho	Member
HM Phalane	Member
EL Maraba	Member
JT Mokgapa	Member
RA Magongwa	Member
TG Phaka	Member
MV Mathye	Member
TS Marutla	Member
Kgoshigadi Maraba	Traditional Leaders
Kgoshigadi Matlala	Traditional Leaders
Kgoshi Mashashane	Traditional Leaders

CERTIFICATION OF REMUNERATION OF COUNCILLORS
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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RAMAKUNTWANE SELEPE
MUNICIPAL MANAGER
31-Aug-15

Audit Committee Members

M.D Poopedi	**Chairperson**
I.W Modisha	Member
S.A.B Ngobeni	Member
Adv S.T Kholong	Member
Prof A. Du Toit	Member
I.T Ranape	Member
A.M.M Badimo	Member

Municipal Manager

R Selepe

Chief Financial Officer

M Mokonyama

Grading of Local Authority

Grade 3

Auditors

Auditor-General

Bankers

Nedbank

Aganang Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

General information (continued)

Registered Office:	Aganang Local Municipality
Physical address:	Corner Gilead & Knobel Road Between Rampuru and Ceres Villages Moletjie
Postal address:	**P.O Box 990** Juno 0748
Telephone number:	015 295 1400
Fax number:	015 295 1447
E-mail address:	admin@aganang.gov.za

Aganang Local Municipality
ANNUAL FINANCIAL STATEMENTS
For the Year Ended at 30 June 2015

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager: R Selepe

DATE:

Aganang Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

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Aganang Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2015

	Note	2015 R	Restated 2014 R
Revenue			
Exchange Revenue			
Rental of facilities and equipment	13	392 280	317 674
Interest earned - Short-term investments	14	4 105 784	2 154 972
Interest earned - outstanding receivables	15	1 491 332	4 582 903
Other income, Public Contribution and Donation	17	2 571 119	2 804 317
Non-Exchange Revenue			
Property rates	12	8 824 170	28 675 487
Government grants and subsidies	16	121 060 376	111 938 300
Traffic Fines	38	808 374	753 956
Total revenue		**139 253 434**	**151 227 610**
Expenses			
Employee related costs	18	34 821 166	33 116 617
Remuneration of councillors	19	12 602 058	11 564 768
Bad debts		537 063	-
Depreciation and amortisation expense	20	4 701 663	3 681 396
Impairment of Assets	37	-	753 905
Repairs and maintenance		960 068	1 088 783
Finance costs	23	52 982	85 074
General expenses	21	46 671 123	51 517 542
Total expenses		**100 346 123**	**101 808 086**
Gain / (loss) on fair value adjustment	22	-	386 739
Gain / (loss) on sale of assets	40	202 250	-
Surplus for the period		**39 109 561**	**49 032 784**

Aganang Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2015

	Note	Accumulated Surplus/(Deficit)	Total: Net Assets
		R	R
Balance at 30 June 2013		178 023 999	178 023 999
Correction of prior period error		(73 080 615)	(73 080 615)
Restated balance		**104 943 383**	**104 943 383**
Surplus on revaluation of property of property, plant and equipment		104 943 383	-
Change in estimates		1 967 113	1 967 113
Transfer to/From Accummulated Surplus/Deficit			-
Surplus for the period		49 032 784	49 032 784
Balance at 30 June 2014		**155 943 281**	**155 943 281**
Correction of prior period error	25	2 650 145	2 650 145
Change in estimates			-
Restated balance		**158 593 426**	**158 593 426**
Surplus for the period			-
Balance at 30 June 2015		**158 593 426**	**158 593 426**
Correction of prior period error			-
Restated balance		**158 593 426**	**158 593 426**
Other items		-	-
Surplus for the period		39 109 561	39 109 561
Balance at 30 June 2015		**197 702 987**	**197 702 987**

Aganang Local Municipality
STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Note	2015 R	Restated 2014 R
ASSETS			
Current assets			
Cash and cash equivalents	1	85 574 317	50 211 553
Trade and other receivables from non exchange transactions	2.1	76 862 775	70 435 886
Trade and other receivables from exchange transactions	2.2	381 074	491 197
Inventories	3	651 613	879 518
Investments	4	-	-
VAT receivable	7	19 437 265	13 661 214
Non-current assets			
Property, plant and equipment	5	53 084 857	42 888 926
Intangible Assets	5	107 491	140 074
Total assets		**236 099 392**	**178 708 368**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	6	15 866 552	6 632 487
Current provisions	8	3 420 240	3 111 033
Current portion of unspent conditional grants and receipts	9	17 921 078	8 535 454
Current portion of finance lease liability	10	252 174	399 635
Non Current Liabilities			
Long term portion of finance lease liability	10	-	252 500
Provisions - Long Service Awards	8	936 361	1 183 832
Total liabilities		**38 396 405**	**20 114 942**
Net assets		**197 702 987**	**158 593 426**
NET ASSETS			
Accumulated surplus		197 702 987	158 593 426
Total net assets		**197 702 987**	**158 593 426**

Aganang Local Municipality

CASH FLOW STATEMENT

as at 30 June 2015

	Note	2015 R	2014 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**141 785 228**	**146 644 707**
Assessment Rates		1 860 218	28 675 487
Sales of goods and services		-	
Grants		121 060 376	111 938 300
Interest received		4 105 784	2 154 972
Other receipts		5 373 227	3 875 947
Other Revenue Received not yet regonised		9 385 624	
Payments		**(91 312 390)**	**(120 927 661)**
Employee costs		(47 423 224)	(44 681 386)
Suppliers		(43 889 166)	(76 246 276)
Interest paid		-	-
Other payments			
Net cash flows from operating activities	24	**50 472 838**	**25 717 045**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(14 663 245)	(8 504 826)
Gain/(Loss) on the Sales of Assets		-	
Decrease/(Increase) in Loans and receivables		-	
Increase/(Decrease) Investments		-	
Net cash flows from investing activities		**(14 663 245)**	**(8 504 826)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(446 829)	(446 829)
Net cash flows from financing activities		**(446 829)**	**(446 829)**
Net increase / (decrease) in net cash and cash equivalents		35 362 764	16 765 390
Net cash and cash equivalents at beginning of period		50 211 553	33 446 163
Net cash and cash equivalents at end of period	1 & 4	**85 574 317**	**50 211 553**

	Note	2015 R	2014 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		132	573
Cash at bank		24 273 946	21 983 537
Call deposits		61 300 239	28 227 443
		85 574 317	50 211 553
The Municipality has the following bank accounts: -			
Current Account (Primary Bank Account)			
Nedbank Bank Limited - Account Number 1013906551			
Bank statement balance at beginning of year		21 983 537	2 275 284
Bank statement balance at end of year		24 847 971	21 983 537
Cash on hand		132	573
Total cash and cash equivalents		85 574 317	50 211 553
Total bank overdraft		-	-
Investment			
Call Account - Nedbank		61 300 239	28 227 443
		61 300 239	28 227 443

	Note	2015 R	2014 R

Cash and Cash Equivalent

Average rate of return		-	-

Cash and cash equivalents are classified as financial instruments under the loans and receivable category. Due to the short term nature of these investments no amortisation was performed.

Fair value is taken at face value.

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the Municipality did not apply any methods to evaluate the credit quality.

2 TRADE AND OTHER RECEIVABLES FROM Non-EXCHANGE TRANSACTIONS	**Gross Balances**	**Bad Debts**	**Net Balance**
2.1 Trade receivables	**R**	**R**	**R**
as at 30 June 2015			
Traffic Fines	691 117	(537 063)	154 054
Property rates	76 708 721		76 708 721
Total	**77 399 838**	**(537 063)**	**76 862 775**
2.2 Other receivables	**381 074**	**-**	**381 074**
Other receivables	**381 074**	**-**	**381 074**
Total Trade and other receivables	**77 780 912**	**(537 063)**	**77 243 850**
as at 30 June 2014			
Service debtors			
Property and rates	70 435 886		70 435 886
Total	**70 435 886**		**70 435 886**
Other receivables		-	-
Other receivables	**-**	**-**	**-**
Total Trade and other receivables	**70 435 886**	**-**	**70 435 886**
Rates: Ageing			
Current (0 – 30 days)		722 635	7 494 582
31 - 60 Days		1 230 000	1 947 734
61 - 90 Days		1 635 200	1 936 081
91 - 120 Days		2 685 000	1 924 459
121 - +365 Days		70 435 886	57 133 030
Total		**76 708 721**	**70 435 885**

Trade and other Receivables

Other Receivables

Trade and other receivables pledged as security

Trade and other receivables were not pledged as security for overdraft facilities.

Credit quality of trade and other receivables

Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

	Note	2015 R	2014 R

3 INVENTORIES

Opening balance of inventories:		**886 208.40**	**960 316.05**
Consumable stores - at cost		462 356.85	421 940.32
Stationery - at cost		402 937.97	530 373.01
Refresments		20 913.58	8 002.72
Other goods held for resale – at cost		-	-
Additions:		**507 011.22**	**736 037.45**
Consumable stores		200 234.00	383 169.78
Stationery		289 177.22	318 913.54
Refresments		17 600.00	33 954.13
Issued (expensed):		**-734 915.16**	**-764 996.11**
Consumable stores		-404 315.28	-326 020.69
Stationery		-297 472.95	-417 932.17
Refresments		-33 126.93	-21 043.25
Other goods held for resale			
Water			
Adjustments		-6 691.77	-45 147.17
Closing balance of inventories:		**651 612.69**	**886 210.22**
Consumable stores			
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):		-	-
Consumable stores		-	-
Maintenance materials		-	-
Spare parts		-	-
Other goods held for resale		-	-
Water		-	-
Closing balance of inventories:		**651 612.70**	**886 210.27**
Consumable stores - at cost		257 034.49	462 356.40
Stationery - at cost		389 191.55	402 940.27
Refresments		5 386.66	20 913.60

4 INVESTMENTS

Call investments		-	-
		-	**-**

	Note	2015	2014
		R	R

	Note	2015	2014
		R	R

Note : 5 For the Year Ended 30 June 2015

Reconciliation of Carrying Value	Community Assets	Infrastructure Assets	Buildings	Leased Assets	Other Assets	WIP	Total
	R	R	R	R	R	R	R
as at 01 July 2013	**15 916 419.36**	**1 014 252.01**	**8 425 813.24**	**984 625.56**	**8 314 934.00**	**2 299 675.00**	**36 955 719**
Cost/Revaluation	17 827 994.36	1 131 365.60	10 073 893.24	1 153 981.95	16 410 754.00	2 299 675.00	48 897 664
Accumulated depreciation and impairment losses	-1 911 575.00	-117 113.59	-1 648 080.00	-169 356.39	-8 095 820.00	-	-11 941 945
Acquisitions	1 940 810.26				3 421 894.00	2 977 786.00	8 340 490
Depreciation	-658 187.07	-64 755.88	-319 584.28	-384 660.65	-2 184 322.36		-3 611 510
Capitalisation of work in progress							-
Carrying value of disposals	-	-	-	-	-		-
Cost/Revaluation							
Accumulated depreciation and impairment losses							
Impairment loss/Reversal of impairment loss	-10 302.00				-603 986.00	-139 616.80	-753 905
Reversal of Accumulated Depreciation(Review of useful lives)					1 958 204.00		1 958 204
as at 30 June 2014	**17 188 740.55**	**949 496.13**	**8 106 228.96**	**599 964.91**	**10 906 723.64**	**5 137 844.20**	**42 888 998**
Cost/Revaluation	19 768 804.62	1 131 365.60	10 073 893.24	1 153 981.95	19 832 648.00	5 277 461.00	57 238 154
Accumulated depreciation and impairment losses	-2 580 064.07	-181 869.47	-1 967 664.28	-554 017.04	-8 925 924.36	-139 616.80	-14 349 156

Reconciliation of Carrying Value	Community Assets	Infrastructure Assets	Buildings	Leased Assets	Other Assets	WIP	Total
	R	R	R	R	R	R	R
as at 01 July 2014	**17 188 740.93**	**949 496.13**	**8 106 228.96**	**599 964.91**	**10 906 722.79**	**5 137 844.20**	**42 888 998**
Cost/Revaluation	19 768 805.00	1 131 365.60	10 073 893.24	1 153 981.95	19 832 647.15	5 277 461.00	57 238 153.94
Accumulated depreciation and impairment losses	-2 580 064.07	-181 869.47	-1 967 664.28	-554 017.04	-8 925 924.36	-139 616.80	-14 349 156.02
Acquisitions					13 892 747.33	926 676.36	14 819 424
Depreciation	-692 908.42	-63 036.70	-366 261.90	-384 776.70	-3 116 580.91		-4 623 565
Capitalisation of work in progress							-
Carrying value of disposals	-	-	-	-	-		-
Cost/Revaluation					-		
Accumulated depreciation and impairment losses					-		
Impairment loss/Reversal of impairment loss							-
Reversal of Accumulated Depreciation(Review of useful lives)							-
as at 30 June 2015	**16 495 832.51**	**886 459.43**	**7 739 967.06**	**215 188.21**	**21 682 889.21**	**6 064 520.56**	**53 084 857**
Cost/Revaluation	19 768 805.00	1 131 365.60	10 073 893.24	1 153 981.95	33 725 394.48	6 204 137.36	72 057 578
Accumulated depreciation and impairment losses	-3 272 972.49	-244 906.17	-2 333 926.18	-938 793.74	-12 042 505.27	-139 616.80	-18 972 721

INTANGIBLE ASSETS	**COMPUTER SOFTWARE**
Reconciliation of carrying value	**R**
as at 1 July 2013	**84**
Cost	908 332
Accumulated Depreciation	-908 249
Acquisitions	164 336
Amortisation	-24 346
as at 30 June 2014	**140 074**
Cost	1 072 668
Accumulated amortisation and impairment losses	-932 594

INTANGIBLE ASSETS	COMPUTER SOFTWARE
Reconciliation of carrying value	**R**
as at 1 July 2014	**140 074**
Cost	1 072 668
Accumulated Depreciation	-932 594
Acquisitions	46 000
Amortisation	-78 583
as at 30 June 2015	**107 491**
Cost	1 118 668
Accumulated amortisation and impairment losses	-1 011 177
Total	**53 192 348**

	Note	2015 R	2014 R
6 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		8 645 174	3 868 150
Payments received in advance		56 311	95 271
Retentions		5 955 279	3 176 112
Accrued interest		-	-
Provision for bonus		-	-
Other creditors		506 209	1 159 001
13th cheque accrual		703 349	622 874
Total creditors		**15 866 322**	**8 921 409**

The fair value of trade and other payables approximates their carrying amounts.

7 VAT RECEIVABLE

	2015	2014
VAT receivable	19 437 265	13 661 214
	19 437 265	13 661 214

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

8 PROVISIONS

8.1 Current Leave Provision

	2015	2014
Staff leave provision	3 420 240	3 111 033
Total Current Leave Provisions	**3 420 240**	**3 111 033**

8.2 Non-Current Long Service Awards

	2015	2014
Staff leave provision	-	-
Long Services Awards	936 361	1 183 832
Total Non-Current Long Service Awards	936 361	1 183 832

Non- Current Long Service Awards
The municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

In the month that each "completed servic"milestone is reached, the employee is granted a long service award

Working days awarded are valued at1/250th of annual salary per day.

Past Year and Future LSA Liability	**Year Ending 30/06/2015**	**Year Ending 30/06/2016**
Opening Accrued Liability	1 183 832	936 361
Current-Service Cost	272 630	209 351
Interest Cost	-	
Benefit Vesting	-36 432	-41 422
Total Annual Expenses	236 198	167 929
Actuarial Loss/Gain	-483 669	
Closing Accrued Liability	936 361	1 104 290

	30-Jun-15	**30-Jun-14**
Discount rate	8.5%	8.4%
CPI	6.23%	6.7%
Salary increase rate	7.23%	7.7%
Net Discount rate	1.18%	0.65%
Mortality	SA85-90	SA85-90
Normal retirement age	63 for MGF pension fund members	63 for MGF pension fund members
	58 for MEPF pension fund memebers	58 for MEPF pension fund memebers

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2015	2014
9.1 Unspent Conditional Grants from other spheres of Government		
MIG Grants	17 515 385	8 135 454
FMG	5 693	-
MSIG	-	-
IDC	400 000	400 000
EPWP	-	-
9.2 Other Unspent Conditional Grants and Receipts		
INEC	-	-
Total Unspent Conditional Grants and Receipts	**17 921 078**	**8 535 454**

	Note	2015	2014
		R	R

Conditional Grants

The extent of government grants recognised in the Statement of financial performance relates to the portion of the grant where the conditions have been fulfilled.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised as a liability in the Statement of financial position.

Refer to Appendix E for details of unspent conditional grants, receipts and transfers from National, Provincial Government and Other State and Private Entities.

These amounts are invested in a ring-fenced investment account until utilised.

10 FINANCE LEASE LIABILITY

2015 Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present Value of minimum lease payments R
Within one year	252 174	8 476	260 650
Within two to five years			-
	252 174	8 476	**260 650**
Less: Amount due for settlement within 12 months (current portion)			260 650
			-

2014 Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present value Present Value of minimum lease payments R
Within one year	399 635	47 194	446 829
Within two to five years	252 175	8 476	260 650
	651 810	55 669	**707 479**
Less: Amount due for settlement within 12 months (current portion)			446 829
			260 650

The liability is secured by office equipment under a deemed finance lease with a carrying value of R 260 650 The effective interest rate is fixed at 10% annually and is repayable in 36 equal instalments of which the first was paid in January 2013 . The last instalment is payable during November 2015.

	Note	2015 R	2014 R
11 OTHER CURRENT FINANCIAL LIABILITIES			
Other current financial liabilities		-	-
12 PROPERTY RATES			
Assessment Rates		8 824 170	20 448 486
Total property rates		**8 824 170**	**20 448 486**
Property rates - penalties imposed and collection charges		-	-
Total		**8 824 170**	**20 448 486**
Valuation Roll			
Residential		726 436 000	726 436 000
Business		137 959 249	137 959 249
Argicallure		887 163 000	887 163 000
State		40 326 484	40 326 484
Municipal		19 944 324	19 944 324
Churches		23 494 901	23 494 901
Other		414 003 628	414 003 628
		2 249 327 586	2 249 327 586
13 RENTAL OF FACILITIES			
Rental of facilities		392 280	317 674
Total rentals		**392 280**	**317 674**
14 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		4 105 784	2 154 972
Total interest		**4 105 784**	**2 154 972**
15 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Trade receivables		1 491 332	4 582 903
Total interest		**1 491 332**	**4 582 903**
16 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		98 119 000	84 878 360
MIG Grant		18 711 069	24 402 542
Other Government Grants and Subsidies		4 230 307	2 657 398
Total Government Grant and Subsidies		**121 060 376**	**111 938 300**

	Note	2015 R	2014 R
16.1 MIG Grant			
Balance unspent at beginning of year		8 135 454	8 991 996
Refunds to Treasury during the year		-	-
Current year receipts		27 157 000	22 338 000
Conditions met - transferred to revenue		-17 777 069	-23 194 542
Conditions still to be met - remain liabilities (see note 9)		**17 515 385**	**8 135 454**
16.2 MSIG			
Balance unspent at beginning of year		-	318 000
Current year receipts		934 000	890 000
Conditions met - transferred to revenue		-934 000	-1 208 000
Conditions still to be met - remain liabilities (see note 9)		-	-
16.3 FMG			
Balance unspent at beginning of year		-	7 398
Current year receipts		1 800 000	1 650 000
Conditions met - transferred to revenue		-1 794 307	-1 657 398
Conditions still to be met - remain liabilities (see note 9)		5 693	-
16.4 EPWP			
Balance unspent at beginning of year		-	318 360
Transfer to Treasury		-	-318 360
Current year receipts		1 536 000	1 000 000
Conditions met - transferred to revenue		-1 536 000	-1 000 000
Conditions still to be met - remain liabilities (see note 9)		-	-
16.5 INEG (Intergrated National Electrification Grant)			
Balance unspent at beginning of year		-	-
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 9)		-	-

	Note	2015 R	2014 R

16.6 CDM Grants

Operations and Maintenance		900 000	-
Free Basic Water			
Total		900 000	-

The above CDM Grant amounts indicates money received from Capricorn District Municipality and the related expenditure is accounted seperately under general expenses vote..

16.7 Independent Development Corporation Grant

Balance unspent at beginning of year		400 000	-
Current year receipts		-	400 000
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 8)		400 000	400 000

17 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

17.1 Other income

SUNDRY INCOME		864 810	890 507
TRAFFIC FEES		1 642 993	1 858 020
SKILLS DEVELOPMENT RE-IMBURSEMENT		63 316	55 790
Total Other Income		**2 571 119**	**2 804 317**

18 EMPLOYEE RELATED COSTS		**34 821 166**	**33 116 617**
ACTING ALLOWANCE		171 833	325 459
BASIC SALARY		19 192 089	17 789 503
HOUSING SUBSIDY		248 202	241 831
BONUS		1 468 058	1 248 601
OVERTIME		717 574	929 955
REDEMPTION OF LEAVE		265 222	83 839
CELL PHONE ALLOWANCE		359 800	302 600
SPECIAL OPERATIONS-TRAFFIC		68 567	2 934 117
TRANSPORT / VEHICLE ALLOWANCE		2 730 664	-
CLOTHING ALLOWANCE		11 403	39 525
WARD COMMITTEES STIPEND		2 375 058	2 381 400
DANGER ALLOWANCE		44 500	43 000
NON PENSIONABLE ALLOWANCE		-	-
SUBSISTANCE AND TRAVEL		1 649 615	1 504 761
MEDICAL AID SCHEME		1 063 079	928 873
CONTRIBUTION TO LONG TERM PROVISION FOR LEAVE(MOVEMENT)		-	-
PENSION FUNDS		4 215 351	3 850 254
INDUSTRIAL COUNCIL		9 282	8 448
SKILLS DEVELOPMENT LEVY		77 720	257 723
UNEMPLOYMENT INSURANCE FUND		153 149	155 112
LONG SERVICES AWARDS		-	91 617
Employee Related Costs		**34 821 166**	**33 116 617**

	Note	2015 R	2014 R
Remuneration of the Municipal Manager			
Annual Remuneration		678 252	590 230
13th Cheque			8 943
Backpay		28 968	33 205
Travel Allowance, Housing and Cellphone Allowance		288 000	264 000
Subsistence & Travelling Allowance		26 967	4 297
Contributions to UIF, Industrial Levy,Skills Levy, Medical and Pension Funds		132 951	102 319
Redemption of Leave		-	
		1 155 137	**1 002 993**
Remuneration of the Senior Manager Corporate Services			
Annual Remuneration		686 717	605 249
Subsistence & Travelling Allowance		33 621	10 810
Backpay		22 559	20 698
Travel Allowance, Housing and Cellphone Allowance		10 200	72 700
Contributions to UIF, Industrial Levy,Skills Levy, Medical and Pension Funds		159 613	118 375
		912 710	**827 833**
Remuneration of Senior Manager Technical Services			
Annual Remuneration		38 323	448 379
Acting Allowance			12 023
Backpay		4 148	19 029
Travel, motor car, accommodation, subsistence and other allowances		15 850	185 200
Contributions to UIF, Medical and Pension Funds		7 620	97 267
		65 940	**761 898**

Senior Technical Manager Resigned during July 2014. Currently there is an Acting Manager

	Note	2015 R	2014 R
Remuneration of Senior Manager Community Services			
Annual Remuneration		442 892	418 617
Backpay		20 740	16 042
Subsistence & Travelling Allowance		56 628	
Travel, motor car, accommodation, subsistence and other allowances and housing allowance		239 952	232 531
Contributions to UIF, Medical and Pension Funds		88 057	91 383
		848 267	**758 574**
Remuneration of CFO			
			-
Annual Remuneration		618 432	447 862
Backpay		25 218	-
Subsistence & Travelling Allowance		6 352.12	2 525
Travel Allowance, Housing and Cellphone Allowance		155 200	158 500
Contributions to UIF, Industrial Levy,Skills Levy, Medical and Pension Funds		185 347	135 966
		990 549	**744 853**
Remuneration of Senior Manager Economic Development			
Annual Remuneration		287 793	
13th Cheque		-	
Backpay			
Travel Allowance, Housing and Cellphone Allowance		84 981	
Contributions to UIF, Industrial Levy,Skills Levy, Medical and Pension Funds		44 289	
Redemption of Leave		-	
		417 064	

19 REMUNERATION OF COUNCILLORS

	2015 R	2014 R
Annual Remuneration	6 904 073	6 800 419
Sitting Allowance	475 965	44 215
Travelling Allowance & Cellphone Allowance	2 972 926	2 649 706
UIF, Medical Aid & Pension Funds	1 043 077	917 842
Skills Development Levy (Councillors)	108 919	84 262
Subsistence and Travelling Allowance	1 097 098	1 068 324
	12 602 058	**11 564 768**

Names of Councillors	Annual Remunerations Back Pay s	Travel, Car, cellphone allowance	Contribution to UIF, Medical, SDL, Pension Fund	Total
Mayor- Cllr Mokobodi MM	482 582	203 646	73 287	759 516
				-
Speaker - Cllr Dikgale	384 224	176 999	56 454	617 676
				-
Chief Whip - Cllr Teffo MD	361 937	217 291	54 995	634 223
				-
Members of Exco - kganyago	174 143	166 442	25 037	365 623
Members of Exco - Moloto	182 957	89 236	27 677	299 871
Members of Exco - Phaka	199 065	146 276	30 301	375 642
Members of Exco - Mothata	199 065	215 245	30 301	444 611
Members of Exco - Lekoloane	199 365	98 417	30 304	328 086
Members of Exco - Mahoai	199 065	111 334	30 301	340 700
				-
				-
Chairperson of 79 Committees				-
Ethics Committee - Cllr Lepadima	185 794	96 233	28 289	310 315
MPAC - Cllr Mothotsi	268 905	78 198	40 993	388 096
Names Committee - Cllr Malebana	182 474	141 615	27 752	351 842
				-
All Councillors	**3 945 034**	**2 264 590**	**592 474**	**6 802 097**
All Traditional Leaders(Sitting Allowance)	**1 474**	**-**	**-**	**1 474**
Total Amount	**6 966 084**	**4 005 523**	**1 048 166**	**12 019 773**

	Note	2015 R	2014 R
20 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		4 623 081	3 657 050
Intangible assets		78 583	24 346
Total Depreciation and Amortisation		**4 701 663**	**3 681 396**

21 GENERAL EXPENSES

Included in general expenses are the following:-

Vote Description	2015 R	2014 R
ACCOMMODATION	2 340 690	1 279 431
ADVERTISEMENTS	636 118	459 518
AUDIT FEES	2 129 241	1 596 428
BANK CHARGES	93 999	97 502
BEREAVEMENT	9 300	10 000
BOOKS & PERIODICALS	16 571	29 728
BRANDING AND MARKETING	24 299	29 700
BURSARY FUND	25 550	-
CAPACITY BUILDING	3 165 350	814 802
CATERING	320 584	343 415
COMMUNICATION	158 650	108 251
ELECTRICTY WATER AND RATES	834 492	564 143
ENVIRONMENTAL MANAGEMENT	1 639 740	1 458 793
EVENTS	306 558	23 515
HIV AND AIDS PROGRAMME	43 870	21 480
INSURANCE	488 162	289 704
IT MANAGEMENT	1 005 515	2 226 527
PROTECTIVE CLOTHING AND UNIFORM	168 231	
LED GRANT	193 123	307 438
LAND USE MANAGEMENT	101 726	148 920
LICENSES MOTOR VEHICLES TV	56 558	20 483
MEMBERSHIP AND REGISTRATION FEES	985 988	617 368
MOTOR VEHICLE EXPENSES AND TOLL FEES	1 872 949	1 837 786
POSTAGE AND TELEGRAMS	1 310	7 203
PUBLISHING (IDP NEWSLETTER ANNUAL	95 625	283 214
RENTAL - OFFICE EQUIPMENT	914 550	812 746
SECURITY	2 693 408	2 431 423
STOCK MATERIAL AND STATIONERY	880 254	826 063
SUBSISTENCE AND TRAVEL	-	536
TELEPHONE	470 756	545 062
SOCIAL CONTRIBUTIONS	161 965	130 723
EMPLOYEE ASSISTANCE PROGRAMME	143 998	146 186
INFRASTRUCTURE PROJETCS: WRITE-OFFS	18 559 001	25 428 916
DISASTER MANAGEMENT	-	63 650
PUBLIC PARTICIPATION	1 037 703	663 749
TRANSPORT - PUBLIC PARTICIPATION	69 735	120 930
SOCIAL CONTRIBUTIONS	-	-
LEGAL FEES	989 002	369 720
DISSABILITY AND ELDERLY PROGRAMMES	38 215	15 500
YOUTH PROGRAMMES	40 600	48 191
WOMEN PROGRAMMES	-	86 097
SPORTS PROGRAMMES	86 508	305 118
PROFESSIONAL FEES	1 070 711	1 210 896
OPERATIONALISATION OF WAREHOUSE	-	2 602 075
FREE BASIC ELECTRICITY	1 476 402	1 723 735
FREE BASIC WATER	-	128 429
FREE BASIC ALTERNATIVE ENERGY	998 951	688 508
OTHER GENERAL EXPENSES	254 614	593 940
CASUAL WORKERS	70 550	
	46 671 123	**51 517 542**

	Note	2015 R	2014 R
22 GAIN / (LOSS) ON FAIR VALUE ADJUSTMENT			
Property, plant and equipment			386 739
Intangible assets			-
Investment property			-
Biological assets			-
Other financial assets			-
Total Gain / (Loss) on Sale of Assets			**386 739**
23 FINANCE COSTS			
Borrowings		52 982	85 074
Total Finance Costs		**52 982**	**85 074**
24 CASH GENERATED BY OPERATIONS			
Surplus for the year		39 109 561	
Adjustments for:			
Depreciation		4 623 565	
Amortisation		78 583	
Gain on disposal of PPE		-202 250	
Contributions to provisions - non-current			
Contributions to provisions - current		309 207	
Contribution to bad debt provision		537 063	
Equity accounted share of associate's surplus			
Fair value adjustments		-	
Actuarial (gains)/losses		-483 669	
Investment income			
Fairvalue adjustments on investment property			
Interest costs: Defined benefit plan		97 912	
Expected benefit vesting		-36 432	
Current services costs		174 718	
Interest paid		46 868	
Operating surplus before working capital changes:		**44 255 125**	
Increase/(decrease) in inventories		227 906	
(Increase)/Decrease in consumer debtors			
(Increase)/Decrease in receivables- exchange transactions		110 122	
(Increase)/Decrease in receivables-non exchange transactions		-6 963 952	
(Decrease)/Increase in conditional grants ad receipts		9 385 624	
Increase/(Decrease) in payables from exchange transactions		9 234 064	
(Increase)/Decrease in VAT Receivable		-5 776 051	
Cash generated from operations		**50 472 838**	**-**

	Note	2015 R	2014 R

25 CORRECTION OF ERROR

	2015	2014
Assets	206 341	73 326 554
Liabilities	2 443 805	-245 939
Net effect on Statement of Financial Position	2 650 145	73 080 615
Net effect on Accumulated surplus opening balance	-2 650 145	73 080 615

Correction of Error 2014/15

25.1 Corrections Affecting Accumulated Surplus

Nature of an error	Journal No	Class Affected	Amount of the correction
Traffic Fine Debt Previously not accounted for	42201415	Current Assets - Debtors	-252 495
Retention Paid out during 2013/14 but not allocated to retention vote	54201415	Current Liabilities - Trade Payables	-14 577
Retention previously not Raised	59201415	Current Liabilities - Trade Payables	31 825
Retention previously not Raised	63201415	Current Liabilities - Trade Payables	31 151
Adjusting Inventory balances previously incorrectly recorded	68201415	Current Assets - Inventory	6 692
Accounting for Creditors Previously not raised	71201415	Current Liabilities - Trade Payables	425 513
Re-allocation of Creditors payment to Creditors Control vote	81201415	Current Liabilities - Trade Payables	-1 808 526
Correction of Opening Balance (Prior year payment to Transport incorrectly expensed)	102201415	Current Liabilities - Trade Payables	-745 900
Correction of Opening Balance (Prior year payment for CDM free basic water incorrectly expensed)	101201415	Current Liabilities - Trade Payables	-307 947
Correction of Opening balance (Costs of assets Overstated)	104201415	Non Current assets - PPE	53 531
Correction of Opening balance (Acc depreciation overstated)	107201415	Non Current assets - PPE	-13 510
Correction of Opening balance (Costs of assets understated)	108201415	Non Current assets - PPE	-558
Correction of Opening Balance (Finance Charges)	130201415	Current Liabilities - Finance Lease	-55 343
Net Effect on Accumulated Surplus (Decrease +/ Increase -)			**-2 650 145**

The above information relates to disclosure of prior period errors and their correction in terms

	Note	2015 R	2014 R

26 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

26.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

	2015	2014
Opening balance	6 668 318	5 228 278
Unauthorised expenditure current year	1 282 238	1 440 040
Approved by Council or condoned		-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	**7 950 557**	**6 668 318**

Incident	Disciplinary steps/criminal proceedings	Affected Vote	Amount
Overspending at Departmental Level	Still to be investigated	ACTING ALLOWANCE	-13 367
Overspending at Departmental Level	Still to be investigated	INTEREST - OTHER	-47 194
Overspending at Departmental Level	Still to be investigated	MEDICAL AID SCHEME	-20 459
Overspending at Departmental Level	Still to be investigated	INSURANCE	-38 162
Overspending at Departmental Level	Still to be investigated	STOCK MATERIAL AND STATIONERY	-55 437
Overspending at Departmental Level	Still to be investigated	INTEREST - OTHER	-5 789
Overspending at Departmental Level	Still to be investigated	ACCOMMODATION	-25 686
Expenditure allocated to a wrong deparment	Still to be investigated	SECURITY	-12 553
Expenditure allocated to a wrong deparment	Still to be investigated	EVENTS	-105
Overspending at Departmental Level	Still to be investigated	CAR WASH	-6 747
Overspending at Departmental Level	Still to be investigated	ACTING ALLOWANCE	-8 899
Overspending at Departmental Level	Still to be investigated	HOUSING SUBSIDY	-30 034
Overspending at Departmental Level	Still to be investigated	TRANSPORT / VEHICLE ALLOWANCE	-41 557
Overspending at Departmental Level	Still to be investigated	SUBSISTANCE AND TRAVEL	-43 896
Overspending at Departmental Level	Still to be investigated	PENSION FUNDS	-137 843
Overspending at Departmental Level	Still to be investigated	SITTING ALLOWANCE	-16 687
Overspending at Departmental Level	Still to be investigated	PENSION FUNDS	-68 482
Overspending at Departmental Level	Still to be investigated	SKILLS DEVELOPMENT LEVY (COUNCILLORS	-10 919
Overspending at Departmental Level	Still to be investigated	SUBSISTANCE AND TRAVELLING ALLOWANCE	-47 098
Overspending at Departmental Level	Still to be investigated	BONUS	-16 854
Overspending at Departmental Level	Still to be investigated	CELL PHONE ALLOWANCE	-17 400
Overspending at Departmental Level	Still to be investigated	MEDICAL AID SCHEME	-54 861
Overspending at Departmental Level	Still to be investigated	PENSION FUNDS	-23 519
Overspending at Departmental Level	Still to be investigated	UNEMPLOYMENT INSURANCE FUND	-1 629
No budget provided for Bad debts	Still to be investigated	BAD DEBTS	-537 063
			-1 282 238

	Note	2015 R	2014 R

26.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2015	2014
Opening balance -	349 048	283 122
Fruitless and wasteful expenditure current year	10 792	65 926
Condoned or written off by Council		
Fruitless and wasteful expenditure awaiting condonement	**359 840**	**349 048**

Incident	Amount	Disciplinary steps/criminal proceedings
Interest Charged on Overdue Account of Eskom	7 328	*Under Investigation*
Interest Charged on Overdue Account of Telkom	3 464	*Under Investigation*
Total	**10 792**	

26.3 Irregular expenditure

Reconciliation of irregular expenditure

	2015	2014
Opening balance	35 854 468	27 510 036
Irregular expenditure current year	3 210 811	8 344 431
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	**39 065 279**	**35 854 468**

Incident	**Supplier Name**	**Amount**	**Disciplinary steps/criminal proceedings**
Advertised for less than 14 days	Dimension Data	381 329	Under Investigation
Advertised for less than 14 days	Africa Security	1 788 409	Under Investigation
Appointed without required CIDB grading	Slow & Phuti cleaning construction	911 800	Under Investigation
Supplier appointed without been registered on database	Garden Court	83 532	Under Investigation
Supplier appointed without been registered on database	Forever Centurion	10 400	Under Investigation
Supplier appointed without been registered on database	Centurion Lake Hotel	7 848	Under Investigation
Supplier appointed without been registered on database	Protea Hotel Centurion	6 546	Under Investigation
Supplier appointed without been registered on database	Mahanttan Hotel	9 524	Under Investigation
Supplier appointed without been registered on database	Road Lodge Randburg	4 875	Under Investigation
Supplier appointed without been registered on database	Protea Hotel Balalaika	6 549	Under Investigation
Total		**3 210 811**	

In terms of Circular 68 and Section 32 of MFMA

	Note	2015 R	2014 R
27 ADDITIONAL DISCLOSURES IN TERM OF MUNICIPAL FINANCE MANAGEMENT ACT			
27.1			
Contributions to organised local government			
Opening balance			
Council subscriptions		500 000	454 160
Amount paid-current		-500 000	-454 160
Amount paid-previous years			
Balance unpaid(included in payables)		-	-
27.2 Audit fees			
Opening balance			-86 354
Current year audit fee		2 129 241	1 682 782
Amount paid - current year		-2 129 241	-1 596 428
Credit Note			
Balance unpaid (included in payables)		-	-

27.3 VAT

VAT input receivables and VAT output payables are shown in note 7.

	Note	2015 R	2014 R
27.4 PAYE and UIF			
Opening balance			
Current year payroll deductions		6 126 088	5 842 227
Amount paid - current year		-6 126 088	-5 842 227
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
27.5 Pension and Medical Aid Deductions			
Opening balance			
Current year payroll deductions and Council Contributions		9 432 938	8 478 936
Amount paid - current year		-9 432 938	-8 478 936
Amount paid - previous years			
Balance unpaid (included in payables)		-	-

	Note	2015 R	2014 R
28 COMMITMENTS			
28.1 Commitments in respect of capital expenditure			
- Approved and contracted for		**40 889 727**	**14 758 913**
Infrastructure		19 500 908	10 708 868
Community		3 402 492	1 825 932
Heritage		-	-
Other		17 986 327	2 224 114
- Approved but not yet contracted for		**-**	**4 540 000**
Infrastructure		-	500 000
Community		-	80 000
Heritage		-	-
Other		-	3 960 000
28.2 Commitments in respect of Operating expenditure			
- Approved and contracted for		**304 288**	**7 155 472**
Infrastructure			
Community		-	-
Heritage		-	-
Other		304 288	7 155 472
Total		41 194 015	26 454 386
This expenditure will be financed from:			
- Government grants		41 194 015	26 454 386
Total		**41 194 015**	**26 454 386**

29 EMPLOYMENT BENEFITS

No provision was made for Post-Emploment benefits for medical Aid and Pension Fund contributions. In terms of the Defined Contributions Plan the municipality obiligations is determine by the amounts to be contributed during the financial reporting period and has no further post-employment obiligations or liabilities towards the medical and pension benefits.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

	Note	2015 R	2014 R
29.1		2 015	2 014
MEDICAL BENEFIT INFORMATION			
Defined contribution plan			
The municipalities contribute to three medical aid funds and was the annual contributions as follows:			
BONITAS Medical Aid		1 015 230	861 100
LA HEALTH Medical Aid		277 027	285 784
SAMWUMED Medical Aid		489 277	421 153
Total Current contributions to defined contribution plan		1 781 534	1 568 037

29.2 PENSION BENEFIT INFORMATION

Defined contribution plan

The municipalities contribute to three pension funds for the employees and councillors and was the annual contributions as follows:

Municipal Employees Pension Fund(MEPF)	3 135 456	3 465 315
Municipal Gratuity Fund (MGF)	2 405 816	1 683 524
Municipal Councilors Pension Fund(MCPF)	1 876 389	1 726 689
National Fund For Municipal Workers	233 742	35 370
Total Current contributions to defined contribution plan	7 651 404	6 910 898

30 Financial Instruments

30.1 Debtors

Consumer Debtors	76 862 775	70 435 886
Other Debtors	381 074	238 702
Vat	19 437 265	13 661 214
Sub-Total	96 681 115	84 335 802

	Note	2015 R	2014 R
30.2 Creditors			
Payables		15 866 322	9 020 950
Deposits			
Sub-Total		15 866 322	9 020 950
30.3 Borrowings			
Financial Lease - 3 yrs		-	260 650
Current Portion		260 650	446 829
Sub-Total		260 650	707 479
30.4 Cash and Cash Equivalents			
Cash On-Hand		132	573
Cash in Bank		24 273 946	21 983 537
Short- Term Investments		-	-
Sub-Total		24 274 078	21 984 110
Total		104 828 221	96 591 483
31 CONTINGENT LIABILITY		**358 462**	**3 241 867**

		2015	2014
Summary of case	**Parties Involved**	**Amount involved**	**Amount involved**
The municipality is being sued for failing to pay the service provider for services rendered	Aganang Local Municipality vs Select Projects	-	290 000
The plaintiff claimed an amount for work not covered in the Service Levels Agreement entered between himself and the municipality.	Aganang Local Municipality vs Trade Avail 401 CC	58 319	58 319
The plaintiff is suing the municipality for unlawful arrest allegedly caused by information given by municipal employee	Aganang Local Municipality vs Patricia Moloto	-	54 000
The Traffic Officers arrested a Plaintiff for allegedly violating the rules of the road. As a result the Plaintiff, was arrested and detained by police officers from Ra-Matlala Police Station. After his release, he sued the municipality on the basis that his constitutional rights were violated (e.g. His detention by police)	Aganang Local Municipality vs Madimetsa David Mahapa	139 620	139 620
Mgababa applied for a tender for a physical security. After evulation of tenders by adjudation committee, the Committee recommended for appointment another bidder, and this made Mgababa who was aware of the appointment worried as he felt that he was the most qualified bidder by refering the matter to High Court.	Aganang Local Municipality v Mgababa Travel Agency	-	2 699 928
The municipality is being sued for failing to pay the Traffic Officers salary adjustments	Aganang Local Municipality vs Kooko RM & Makutu Ks	160 523	-
		358 462	**3 241 867**

32 RELATED PARTIES

During the year, in the ordinary course of business, transactions between the Municipality and the under- mentioned parties

	2015	2014
Members of key management		
Close family member of key management		
Capricorn District Municipality	900 000	1 052 550

have occured under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.

Other related party relationships
Compensation to councillors and other key management (refer to note **18 & 19**)

Related party balances
Management Team

No business transaction took place between Aganang Municipality and key Management personnel(Munipal Manager and Directors) and their close family members during the year under review.

The municipality had no related party transaction during the financial period ended 30 June 2015 other than those disclosed above

	Note	2015 R	2014 R

33 EVENTS AFTER THE REPORTING DATE

None Identified

34 RISK MANAGEMENT

34.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. The major customers are government department and businesses. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

34.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared and monitored.

34.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:
- Call deposits

35 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in the **STATEMENT OF COMPARISONS OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014**

36 Change in Estimates - Useful Lifes of Property, Plant and Equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the following Classes of Assets for the financial year:

	2015	2014
Community Assets	-	
Other Infrastructure Assets	-	
Intangible Assets	-	
Land and Buildings	-	
Leased Assets	-	
Other Assets		1 967 113
	-	**1 967 113**

37 Impairment of Assets

A change in the estimated useful life of various assets of the municipality has resulted in the following

	2015	2014
Other Assets	-	753 905
	-	**753 905**

38 Traffic Fines

	2015	2014
Traffic Fines Issued	989 834	753 956
Reduced & Withdrawn	-181 460	
Traffic Fines Revenue	**808 374**	**753 956**

Impairment of Traffic Fines was calculated based on estimates. The municipality determined that once tickets are not paid within 90 days, Warrants of arrests are issued to offenders and once the warrants of arrests is issued, the possebility of collecting the money is less. The municipality determined that of all warrants of arrests issued, only 18% were successfully collected and therefore the municipality further determined that 72% of the fines is likely that they may not be collected

39 Other Important Disclosures

The Municipality is facing disestablishment as per Circular No. 15 of the Municipal Dermacation Board. However the Municipality prepared the Financial Statements on a going concern basis because the said disestablishment will only take place after the 2015/16 financial year.

40 Gain or Loss on Disposal of assets

	2015	2014
Property, plant and equipment	202 250	-
Intangible assets	-	-
Other financial assets	-	-
Total Gain / (Loss) on Sale of Assets	**202 250**	**-**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

Management has taken a decision to write downd damaged or obsolete stock to net realisable value.

The write down is included in the impairment of assets note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

1.1 Significant judgements and sources of estimation uncertainty

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 8 - Provisions.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality

corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.
Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18, 27R5 and 29.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation of Currency

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

1.3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 30 to 34 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

However based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is under threat.

1.4 Investment property

Initial Recognition:

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion

Subsequent Measurement:

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

Item Useful life

Property - land indefinite
Property - buildings 5 - 50 years

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to
the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at re-valued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is re-valued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after re-valuation equals its re-valued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a re-valuation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the re-valued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impaired costs.

The useful lives of items of property, plant and equipment have been assessed as follows:-

Item Average useful life		
Land	0	
Furniture and fittings	30	years
Other items of plant and equipment	3 - 5	years
Office equipment	5 - 10	years
Infrastructure		
➢ Roads and paving	10 - 15	years
➢ Storm Water	10 - 15	years
Community		
➢ Buildings	30	years
➢ Recreational facilities	20 - 30	years
➢ Security	20 - 30	years
Other		
➢ Other vehicles	5 - 10	years

for additional other assets, please refer to Asset Management Policy

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is

depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.
Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de-recognition of an item of Intangible assets is included in surplus or deficit when the items derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All

cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost at reporting date comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, (see the Standard of GRAP on Revenue from Exchange

Transactions) transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

Cash and cash equivalents Financial asset measured at amortised cost Trade and other receivables from non-exchange transactions Financial asset measured at amortised cost

Trade and other receivables from exchange transactions Financial asset measured at amortised cost

Long term receivables Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

Long term liabilities Financial liability measured at amortised cost

Trade and other payables Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.
The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price

and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value.

This requires a reclassification of the instrument from amortised cost or cost to fair value.
If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or

deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and un-collectability of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

De-recognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- ➢ the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- ➢ the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- ➢ the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for de-recognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in

surplus or deficit.

If a transfer does not result in de-recognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1.8 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is

postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.
- Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.9 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified. Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to
recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.10 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.
-

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.
Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the
sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.12 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow

1.16 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

Prior year comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.17 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.18 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or

- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.
- Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, internally generated	3 - 5 years
Computer software, other	3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.19 Non-current assets held for sale

Non-current assets are classified as "held for sale assets" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale,

which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is depreciated (or amortised) while it is classified as a "held for sale" asset.

Interest and other expenses attributable to the liabilities of the "held for sale assets" are recognised in surplus or deficit.

1.20 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined. An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

- The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.21 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service. Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or

- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and

- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date. The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices). When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Pension Obligations: The municipality and its employees contribute to **4** different Pension Funds, of which **3** (The Joint Municipal Pension Fund, Municipal Employees Pension Fund and Municipal Gratuity Fund) cater for the majority of the staff. Joint Municipal Pension Fund, Municipal Employees Pension Fund, Municipal Gratuity Fund are defined benefit funds. The South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.

- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.27 Grants in aid

The Aganang Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not: Receive any goods or services directly in return, as would be expected in a purchase or sale transaction Expect to be repaid in future; or Expect a financial return, as would be expected from an investment. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.28 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.
The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.29 Presentation of Budget Information in the Financial Statements

The Municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

1.30 Heritage Assets

Recognition of Assets

Heritage assets is recognised when it has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is further recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus and is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit and is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Although a heritage asset is not depreciated is the heritage asset assess at each reporting date to disclose whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

The municipality will treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. Should any item of property, plant and equipment or an intangible asset carried at a re-valued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a re-valued amount, the entity applies the applicable Standard to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard relating to that asset. Transfer of investment property carried at fair value, or inventories to heritage assets at a re-valued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

Item use fill live

Property and building	Indefinite
Other Assets	5 to 50 years

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.
- The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

2. Standards, Amendments to Standards and Interpretations Issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

No	**Title of standard**	**Impact on GRAP**
GRAP 20	Related party disclosures	No material impact
GRAP 32	**Service Concession Arrangement Grantor**	**No Material Impact**
GRAP 108	**Statutory Receivables**	**No impact**
GRAP 109	**Accounting by Principals and Agents**	**No impact**

Effective date is not to be determined for the other standards by the minister

New GRAP standards effective for financial years beginning on or after 1 April 2015

No	**Title of standard**	**Impact on GRAP**
GRAP 18	Segment Reporting	No material impact
GRAP 105	Transfer of Functions(Under common control)	No impact
GRAP 106	Transfer of Functions(Not under common control)	No impact
GRAP 107	Mergers	No impact

AGANANG LOCAL MUNICIPALITY
STATEMENT OF COMPARISONS OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/2015									2013/2014			
	Orignal Budget	Budget Adjustments (i.t.o. s28 and s31 of MFMA)	Virement (i.t.o Council approved policy)	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9				
										Refer to Note 26	Refer to Note 26	Refer to Note 26	
Financial Performance													
Property Rates	7 114 045	7 114 045	-	7 114 045	8 824 170		-1 710 125	124%	124%				
Service Charges	-			-			-	0%	0%				
Investment Revenue	2 100 303	2 100 303		2 100 303	4 105 784		-2 005 481	195%	195%				
Transfers recognised - operational	81 839 780	80 541 966		80 541 966	80 541 966		-	98%	100%				
Other own Revenue	11 355 493	10 555 993		10 555 993	2 963 398		7 592 595	26%	28%				
Total Revenue (Exculding capital transfers and contributions)	**102 409 621**	**100 312 307**	**-**	**100 312 307**	**96 435 318**		**3 876 989**						
Employee Costs	47 416 021	39 835 543	0	39 835 543	34 891 716		4 943 827	74%	88%				
Remuneration of Councillors	12 066 364	12 601 544	-	12 601 544	12 602 058		-514	104%	100%				
Debt Impairment	-	-	0	-			-	0%	0%				
Depreciation and asset impairment	9 000 000	5 000 000	-	5 000 000	4 701 663		298 337	52%	94%				
Finance Charges	-	-	-	-	52 982		-52 982	0%	0%				
Materials and Bulk purchases	-	-	-	-			-	0%	0%				
Transfers and Grants	-	-	-	-			-	0%	0%				
Other Expenditure	42 927 236	47 874 562	-	47 874 562	47 560 640		313 922	111%	99%				
Total Expenditure	**111 409 621**	**105 311 649**	**-**	**105 311 649**	**99 809 060**		**5 502 589**						
Gain/(loss) on fair falue adjustment				-									
Surplus/(Deficit)	**-9 000 000**	**-4 999 342**	**-**	**-4 999 342**	**-3 373 742**		**-1 625 600**	**37%**	**67%**				
Contributions Recognised - capital & contributions assets	52 706 220	66 035 703	-	66 035 703	66 035 703								
Surplus/(Deficit) after capital transfer and contributions				-									
Share of Surplus/Deficit of associate													
Surplus/Deficit for the year	-9 000 000	**-4 999 342**	**-**	**-4 999 342**	**-3 373 742**	**-**	**-1 625 600**	**37%**	**67%**				
				-									

Reconciliation of Budget surplus/deficit with the surplus/deficit in the statement of financial performance

	Note	
Net surplus/deficit per the statement of Financial performance		39 109 561
Adjusted for:		
Revenue variances		3 876 989
Fair value adjustments income		0
Surplus on the sale of assets		0
Add: Revenue variances	**1**	3 876 989
Adjustment for:		5 502 589
Expenditure variances		
Impairments recognised		0
Loss on sale of asset		0
Less: Expenditure variances	**2**	5 502 589
Debt Impairment - Actual		0
Debt Impairment - Budget		0
Net surplus/deficit per approved budget		**9 379 578**

Note 1

Revenue

	Actual	Budget	Variance
Property rates	8 824 170	7 114 045	-1 710 125
Property rates - Penalties and collection charges	-	-	-
Service Charges	-	-	-
Rental Received	-		-
Interest Earned - External Investments	4 105 784	2 100 303	-2 005 481
Interest Earned - Outstanding debtors	-	-	-
Government Grants and Subsidies	80 541 966	80 541 966	-
Other Income	2 963 398	10 555 993	7 592 595
Total Revenue	**96 435 318**	**100 312 307**	**3 876 989**

Note 2

Expenditure

Employee Costs	34 891 716	39 835 543	4 943 827
Remuneration of Councillors	12 602 058	12 601 544	-514
Debt Impairment	-	-	-
Depreciation and asset impairment	4 701 663	5 000 000	298 337
Finance Charges	52 982	-	-52 982
Materials and Bulk purchases	-	-	-
Transfers and Grants	-	-	-
Other Expenditure	47 560 640	47 874 562	313 922
Total Expenditure	**99 809 060**	**105 311 649**	**5 502 589**

Aganang Local Municipality
APPENDIX A
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2015

	Cost / Revaluation							Accumulated Depreciation									
	Opening Balance	Reallocation	Additions	Disposals	Devaluations/ Revaluation	Under Construction	Closing Balance	Opening Balance	Reallocation	Depreciation	Disposals	Revalued/ devalued accummulated depreciation	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R	R	R		R	R	R	R	R	R	R	R	R	R	R	R	R
Other Assets	**57 156 839.90**	**-**	**13 938 747.33**	**-**	**-**	**926 676.36**	**72 022 263.59**	**14 728 288.67**	**-**	**4 316 814.76**	**-**	**-**	**-**	**19 045 103.43**	**-**	**-**	**52 977 160.16**
Office Buildings	10 507 499.74						10 507 499.74	1 967 664.46		366 261.90				2 333 926.36			8 173 573.38
Cemeteries	1 012 877.35					-	1 012 877.35	286 324.24		15 788.41				302 112.65			710 764.70
Recreational Facilities	4 621 493.77					926 676.36	5 548 170.13	36 798.90		10 582.40				47 381.30			5 500 788.83
Public Transport & Convenience	4 658 288.45						4 658 288.45	522 552.10		166 254.74				688 806.84			3 969 481.61
Halls, Markets & Public Facilities	13 704 467.32						13 704 467.32	1 862 200.59		458 582.92				2 320 783.51			11 383 683.81
Other Infrastructure	1 131 365.60						1 131 365.60	181 869.46		63 036.70				244 906.16			886 459.44
Office Equipment	1 369 184.00		2 183 182.57				3 552 366.57	440 276.76		507 449.87				947 726.63			2 604 639.94
Furniture & Fittings	1 748 551.25		727 662.70				2 476 213.95	704 178.45		177 859.41				882 037.86			1 594 176.09
Plant and Equipment	11 809 071.29		8 373 564.92				20 182 636.21	5 662 456.02		1 720 891.34				7 383 347.36			12 799 288.85
Motor vehicles	2 834 900.46		2 243 315.64				5 078 216.10	1 377 998.68		434 524.13				1 812 522.81			3 265 693.29
Security Equipment and Fencing	1 594 192.22						1 594 192.22	258 972.19		124 666.67				383 638.86			1 210 553.36
Computer Equipment	1 092 280.23		365 021.50				1 457 301.73	494 402.57		192 333.64				686 736.21			770 565.52
Computer Software (part of computer equipment)	1 072 668.22		46 000.00				1 118 668.22	932 594.25		78 582.63				1 011 176.88			107 491.34
Finance Lease Assets	**1 153 981.95**	**-**	**-**	**-**	**-**	**-**	**1 153 981.95**	**554 017.04**	**-**	**384 776.70**	**-**	**-**	**-**	**938 793.74**	**-**	**-**	**215 188.21**
Office Equipment	1 153 981.95						1 153 981.95	554 017.04		384 776.70				938 793.74			215 188.21
Total	**58 310 821.85**	**-**	**13 938 747.33**	**-**	**-**	**926 676.36**	**73 176 245.54**	**15 282 305.71**	**-**	**4 701 591.46**	**-**	**-**	**-**	**19 983 897.17**	**-**	**-**	**53 192 348.37**

APPENDIX B
Aganang Local Municipality
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015

Description	Vote	Cost / Revaluation									Accumulated Depreciation						Accumulated Impairment					Accumulated Depreciation / Impairment					
	Number	Opening Balance	Reallocation	Additions	Disposals	Devaluations/ Revaluation	Under Construction	Transfers	Adjustments	Closing Balance	Opening Balance	Reallocation	Additions	Adjustments	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Carrying Value
		R		R			R	R	R	R	R		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services		25 128 492	-	-	-		926 676	-	-	26 055 169	2 889 745	-	714 245	-	-	3 603 990	-	-	-	-	-	-	-	-	-	-	22 451 178
Roads		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other		33 182 329	-	13 938 747	-		-			47 121 077	12 392 560		3 987 346		-	16 379 907		-			-					-	30 741 170
Total		**58 310 822**	**-**	**13 938 747**	**-**	**-**	**926 676**	**-**	**-**	**73 176 246**	**15 282 306**	**-**	**4 701 591**	**-**	**-**	**19 983 897**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**53 192 348**

Aganang Local Municipality

APPENDIX C

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year Ended 30 June 2015

2014	**2014**	**2014**		**2015**	**2015**	**2015**
Actual Income	**Actual Expenditure**	**Surplus / (Deficit)**		**Actual Income**	**Actual Expenditure**	**Surplus / (Deficit)**
R	**R**	**R**		**R**	**R**	**R**
(19 735 162)	34 362 314	14 627 152	Technical Services	20 147 832	(25 619 985)	(5 472 153)
(4 131 906)	11 736 149	7 604 244	Financial Services	16 318 860	(14 681 535)	1 637 326
(87 606 502)	25 219 690	(62 386 812)	Corporate Services	60 574 038	(16 855 169)	43 718 869
-	5 688 278	5 688 278	Economic Development and Plann	-	(3 209 346)	(3 209 346)
	5 049 814		Community Services	2 451 367	(11 433 472)	(8 982 105)
(39 754 040)	25 188 395	(14 565 645)	Municipal Manager	39 963 586	(28 946 252)	11 017 335
(151 227 610)	**107 244 639**	**(49 032 785)**		**139 455 684**	**(100 745 758)**	**38 709 926**
			Less: Inter-Department Charges			
(151 227 610)	**107 244 639**	**(49 032 785)**	Total	**139 455 684**	**(100 745 758)**	**38 709 926**

APPENDIX D 1
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 June 2015

	2015 Actual	Budget	2015 Variance	2015 Variance	Explanations of significant variances greater than 5% versus budget
	R	R	R	%	
REVENUE					
Property rates	8 824 170.00	7 114 045.00	-1 710 125.00	-24%	Billing for government buildings was kept on hold as verification of those properties was underway
Renatal of facilities	392 279.54	300 000.00	-92 279.54	-31%	Requests for usage of municipal hall exceeded expectations
Interest earned – external investments	4 105 783.58	2 100 303.00	-2 005 480.58	-95%	Late implementation of projects and programmes made more funds available for short tem investments.
Interest earned – outstanding debtors	1 491 332.16	1 100 325.00	-391 007.16	-36%	payments for billing of property rates not received.
License & permits	1 642 992.73	2 300 500.00	657 507.27	29%	Budget for license and permits included part of testing of drivers license which was implemented late due to outstanding matters that required department of Transport to deal with before the testing centre can be operational
Government grants & subsidies – operating	121 060 376.00	129 546 000.00	8 485 624.00	7%	National treasury withheld R5 million for MIG due to underperforming
Traffic Fines	808 374.00	500 000.00	-308 374.00	-62%	More traffic fines tickets were issued to the transgressors
Other Income	119 751.80	4 355 168.00	4 235 416.20	97%	There were no collection for other budgeted revenue streams
Total Revenue					
	138 445 059.81	**147 316 341.00**	**8 871 281.19**	6%	
			-		
EXPENDITURE			-		
Employee related costs	34 891 715.54	39 835 543.00	4 943 827.46	12%	Employees were on strike and appointment of vacant positions were not done.
Remuneration of councillors	12 602 058.38	12 601 544.00	-514.38	0%	None
Bad debts	537 062.77		-537 062.77	#DIV/0!	We previously did not budget for bad debts
Depreciation	4 701 663.25	5 000 000.00	298 336.75	6%	Acquisition of assets done late and not all planned assets were procured
Repairs & Maintenance	960 067.77	5 541 477.00	4 581 409.23	83%	Only few assets required repairs as compared to budgeted
Finance costs	52 982.44	-	-52 982.44	#DIV/0!	There was no budget provided for the expenditure
General expenses	46 600 572.54	37 333 743.00	-9 266 829.54	-25%	Budgets for infrastructure write off related projects not been taken into consideration. Budgets for Electrification,Pre-schools and Roads not part of R37 333 743.00
Total Expenditure	**100 346 122.69**	**100 312 307.00**	**-33 815.69**	0%	
			-		
NET SURPLUS/(DEFICIT) FOR THE YEAR	**38 098 937.12**	**-**	-38 098 937.12		
Grants & Subsidies	**22 041 376.00**	**40 862 456.77**	**18 821 080.77**	46%	late implementation of projects let to none spending or low spending on MIG grant and as a result causes roll-overs.
LGFMG	1 794 307.00	1 800 000.00	5 693.00	0%	
MIG	10 306 631.00	27 157 000.00	16 850 369.00	62%	MIG funded projects implemented late due to different reasons such as industrial action
MSIG	934 000.00	934 000.00	-	0%	
IDC	-	400 000.00	400 000.00	100%	Bid was re-advertised after it was confirmed that no service provider met the requirements
MIG APPROVED ROLLOVER	7 470 438.00	8 135 456.77	665 018.77	8%	late implementation of projects let to none spending or low spending on MIG grant and as a result causes roll-overs.
EPWP	1 536 000.00	1 536 000.00	-	0%	None
CDM (ITP)	-	900 000.00	900 000.00		The targeted projects not implemented due to late availability of the funds
			-		

APPENDIX E
DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDED 30 June 2014

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants		Quarterly receipts					Quarterly Expenditure for the Year					Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant	Reason for non-compliance
		Sep	Dec	March	June	Total	Sep	Dec	March	June	Total	Total	Total		Yes / No	
Equitable Share	ES	38 838 000	32 706 000	26 575 000		**98 119 000**	8 254 173	6 572 347	34 139 038	37 209 263	**86 174 821**					
Extended public works Programme	EPWP	614 000	461 000	461 000		**1 536 000**	103 360	437 500	578 200	416 940	**1 536 000**	**0**				
Municipal infras	MIG	2 427 000	16 089 000	8 641 000		**27 157 000**	0	63 011	233 843	10 009 777	**10 306 631**	**5 000 000**				
Finanacial Man	FMG	1 800 000				**1 800 000**	138 039	767 792	235 865	652 610	**1 794 307**	**0**				
Municipal syste	MSIG	934000				**934 000**	585 900	348 100			**934 000**	**0**				
						129 546 000						**0**				

Appendix F
Aganang Local Municipality
Contingent Liabilties as at 30 June 2013

APPENDIX F
DISCLOSURE OF CONTINGENT LIABILITY FOR THE YEAR ENDED 30 June 2015

No	Case Number	Type of case	Summary of case	Name of parties	Authority that dealt with the case e.g. High Court	Amount involved	Outcome	Law firm used
1		Civil Matter	The municipality is being sued for failing to pay the Traffic Officers salary adjustments	Aganang Local Municipality vs Kooko RM & Makutu Ks	Seshego Magistrates Court	R160 523.20	The matter is still on-going	Popela-Maake Attorneys
2	407/2011	Civil Matter	The plaintiff claimed an amount for work not covered in the Service Levels Agreement entered between himself and the municipality.	Aganang Local Municipality vs Trade Avail 401 CC	Seshego Court	R58 319.00	The matter is still on-going	Makwela and Mabotja Attorneys
3	LP/PLK/RC1257/11	Civil Matter	The Traffic Officers arrested a Plaintiff for allegedly violating the rules of the road. As a result the Plaintiff, was arrested and detained by police officers from Ra-Matlala Police Station. After his release, he sued the municipality on the basis that his constitutional rights were violated (e.g. His detention by police)	Aganang Local Municipality Vs Mr. Madimetja David Mahapa	Mankweng Regional Court	R139 620.00	The matter is still on-going	Mashishi Attorneys Incorporated
						R358 462.20		